



# Goodwin's Weekly

*"A Thinking Paper for Thinking People"*

## THE JOKER IN REORGANIZING THE MERCHANT'S BANK.

THE contemplated reorganization of the Merchant's Bank does not appear to us to be responsible from a business standpoint, neither does it seem to be good business for the depositors to accede to the request of the committee made in the communication of Sept. 23, in the course of which we find in reference to the opening of a new bank: "The new bank is to liquidate the assets of the old bank as fast as possible with due regard to business procedure, and from the first liquidation they will pay themselves the 55 per cent which they have paid to the receiver with the legal interest thereon."

"When this is accomplished all of the balance of the assets will be set aside in a separate or Trust Fund, the same will be liquidated under the direction and control of three of the Directors of the Bank, two of whom shall be two of the directors who are named by the depositors' committee."

Possibly such a new organization is to assist depositors, but on its face it hasn't that appearance, though there is a token of good faith in the assurance of certain men who are mentioned. But lots of the depositors are very sceptical having had one trying experience, and it is common report that considerable difficulty is being found in securing signatures to the contract agreeing to the terms outlined.

Why shouldn't there be difficulty, with such a bare-faced, palpable joker in plain sight; that of the liability of the old directors ceasing as soon as the plan for reorganization goes over, if it happens to go?

It would be better for the depositors to sell their claims now for what they can get, and sue the stockholders for the difference. It is all very well to reorganize, and relieve old stockholders and directors of all responsibility, but there are plenty of depositors who are unwilling to have them relieved, and it is passing strange that some of those most heavily interested are making such a strenuous attempt to effect a reorganization.

The east side of Main street seems to be more or less of a hoodoo in the banking business, the first flare-up starting near the head of the street several years ago when prominent officials were called on the carpet, and the last of record being the closing of the Merchant's Bank in July.

When two important directors near the head of the street were called to account, it was because of the allegation that they were demanding side fees on loans. One was relieved of his duties as director, but the other retained his position, possibly because he had too much on some others to make his dismissal comfortable.

So little regarding the inside story of the failure of the Merchant's is known by the public generally, and the thousands of depositors, and real information on the subject is seemingly so scarce that we are endeavoring to compile the most interesting facts and figures that have previously not been available to everyone, and hope to be in a position soon to publish more than a vague outline of the reasons for putting the bank in the hands of a receiver.

There is much too much funny business going on with money and securities left in trust with bankers and brokers who are apt to be careless even if honest. We have in mind in particular a local series of speculations in grain in which the loss was so tremendous that it was found necessary by the partners to use securities people had placed as collateral, and when the call came for them, there was hell to pay.

But we are diverging. To revert to the late Merchant's bank there is so much in the reports concerning it, that it would be impos-

possible to publish it all in these columns, but we hope to come into possession of enough facts and figures from time to time to make a complete expose of the conditions which ultimately resulted in its demise.

And we are doing it because we believe it would be wrong in every sense of the word to effect a reorganization unless it is to be on the dead square, and we do not see how that could be possible in view of the condition of the old bank's affairs.

There is no mistaking the grief Mr. Pingree and Mr. Ford went through in their efforts to rehabilitate the falling structure. Even S. G. Sargent of Federal Reserve District No. 12 who, in collaboration with Charles Stewart and F. W. Ball made a report on the bank last spring, had the following to say: "The Board of Directors is composed of prominent and capable business men, but their stock interest in the bank is small. The active manager, Mr. Pingree and Mr. Ford are experienced and resourceful bankers. They have done more than could reasonably have been expected toward the rehabilitation of a bank that should long ago have been liquidated, and would have been if the State Bank Commissioner had done his plain duty."

In another portion of his report Mr. Sargent says: "Although considerable improvement has been made in the condition of the bank, the officers are subject to severe criticism for having paid dividends to their stockholders during a period when the capitol stock was actually impaired."

Here is another paragraph: "Loans to officers and directors and to corporations in which they are directly interested, aggregating \$208,578.84, are not only excessive, but in many instances represent investments which are of a more or less speculative nature."

The Utah law requires that all loans to officers and directors be secured by collateral the value of which is at least twice the loan. Among the director's notes on which no security had been taken, according to the report, were those of a number of gentlemen prominent in business affairs.

In times like the present when money tightens and it is necessary for many people and companies to sacrifice securities which in normal times would be worth a good deal more money, some comment of the examiner would seem to be too severe, but be that as it may, it was his report and the action of certain bankers that closed the bank, and there is really no reason for a reorganization on the basis outlined, except to materially assist some people out of a hole and by that we are not referring to the majority of depositors.

We wonder what happened to those helpful gentlemen who were on the former state treasurer's bond in all this melee. They were volunteers in the cause when the new directorate took charge, and began to reestablish the bank's credit, but they weren't present at the finish when certain big deposits began to go to other banks.

It is all a sorry mess—all but that gilded joker in the appeal for signatures, which, to those depositors who still have a sense of humor, is a laugh.

## THE TINKERS' CHORUS.

YET once again the clamorous notes of the "Tinkers' Chorus" resound through the corridors of the capitol.

Again we are all invited to joint in "Tap, Tap, Tapping" on the constitution, sirs.

Some of the voices of former days are missing; and there are some new and lusty ones.